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RUEHLP/AMEMBASSY LA PAZ 1637
RUEHPE/AMEMBASSY LIMA 9840
RUEHQT/AMEMBASSY QUITO 1709
RUEHAO/AMCONSUL CURACAO 0582
RUEHGL/AMCONSUL GUAYAQUIL 0279
RUCPDO/DEPT OF COMMERCE
RHEHNSC/NSC WASHDC
RUEATRS/DEPT OF TREASURY

UNCLAS E F T O SECTION 01 OF 03 CARACAS 000335

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TAGS: [ECON](#) [PGOV](#) [VE](#)
SUBJECT: CARACAS URBAN EXPROPRIATIONS SPURS WAVE OF
SQUATTERS

REF: A. CARACAS 000043

[1](#)B. CARACAS 000126
[1](#)C. CARACAS 00071

This message is sensitive but unclassified, please treat accordingly.

SUMMARY

[1](#)1. (SBU) After the Mayor of Caracas announced the expropriation of thirteen (mostly vacant or under construction) residential buildings on Jan 5 to provide housing for those displaced by heavy rains, a wave of illegal occupations swept through the city. The occupations were aided directly by police and carried out by organized homeless groups. Venezuela faces a serious urban housing shortage, as the BRV has delivered only a third of the homes it promised last year. Announcements of real estate price controls and further expropriations are having a significant effect on the construction sector. The BRV does not have a unified message on urban expropriation, and the timing of the announcement coming the same day of the closure of the Caracas-La Guaira bridge indicates the move may have been well-timed propaganda intended to distract attention from the embarrassing bridge closure. End Summary.

MAYOR EXPROPRIATES, SQUATTERS MOBILIZE

[1](#)2. (SBU) After heavy rains in the Caracas-Metropolitan area, Mayor Juan Barreto declared on January 5 the "temporary occupation" of thirteen urban residential buildings in order to house persons displaced by the floods, including displaced police and firemen. The municipal decree called the rains "unusual" and declared Caracas in an official state of emergency. (Note: Rains of that intensity are common during rainy season and intermittent during the dry season. End Note). The announcement came the same day the main bridge linking Caracas to the country's main air and sea ports was closed, an event that sharply highlighted the lack of national attention to infrastructure maintenance (See Refs A, B, C). Though the neighborhoods surrounding the bridge had to be evacuated, the municipal decree makes no specific mention of displaced persons from those areas.

13. (SBU) Within days of the decree, over 40 urban residential buildings (including ones with expropriation decrees) were illegally taken by squatters. Most of the buildings were vacant or under construction but at least two of them housed tenants who were forced to flee their homes. One of the buildings belongs to the opposition party COPEI. Most invasions were reportedly assisted by police and firemen, and when EconOff visited one of the buildings on Avenida Urdaneta, the area of the city where many ministry headquarters are located, a police escort was stationed directly in front. Squatters have banded together to form an organization called "Los Sin Techo" (translation: the Homeless), which has over 57,000 registered families and has reportedly facilitated occupations by scouting locations (Note: The organization considers "homeless" to mean "living in inadequate homes," not necessarily living on the street).

14. (SBU) Under Venezuelan law, urban expropriations are legal only if two steps occur: first, issuance of an expropriation decree by the mayor declaring the property "of public utility," followed by certified inspection to calculate real estate value and formal notification of the owner. Second, the owner must either accept compensation or battle the move in court. Only until these two steps have been carried out can the building be occupied. Barreto's decree declared the properties to be "of public utility," which is legal in itself, but in the same decree called for a "temporary occupation," which is not legal. Occupation before the completion of the expropriation process, as well as occupation without any process at all, is illegal. The National Assembly is studying an amendment to the 2004 expropriation law which would allow immediate occupation in cases of "natural disaster."

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BRV RESPONSE CONFUSING

15. (SBU) Responses from different BRV members sent conflicting messages. The mayor made aggressive declarations in favor of expropriations, even going so far as threatening to expropriate golf courses and shoving a reporter who grilled him on the issue. A week after the decree, the President of the Supreme Court, Omar Mora, justified the expropriations and noted that "the right to private property is not absolute." On the other hand, the Attorney General, Isaias Rodriguez, gave an opposite viewpoint by declaring that court authorization was necessary in order for prior occupation of expropriated buildings to take place, implying that Barreto's actions were improper. By Jan 22, a spokesman from the Mayor's office said the expropriations were not a "state policy" and that the decrees were issued due to an "emergency situation," signaling a backing-down from Barreto's initial furor. Though Barreto had declared that the expropriations were planned out by the BRV "long ago," President Chavez only made vague declarations that private property would be respected, but did not comment on the urban expropriations directly.

16. (SBU) Police took little action to vacate occupied buildings, as more often they were either occupying the residences themselves or protecting the squatters. By Jan 27, however, the Attorney General's office called for National Guard troops to vacate the buildings, and also asked for firefighter and police forces to provide security for the process. At least one recent case of an attempted illegal occupation resulted in occupants, with police backing, staving off the squatters. As of today, it is unknown how many illegally-occupied buildings have been vacated.

ROOT OF THE PROBLEM: HOUSING CRISIS

¶7. (SBU) Caracas' squatter problem is not new. According to the Association of Urban Building Owners, over 100 buildings were illegally occupied from 2003-2005, and a poll of Los Sin Techo members shows that 15 percent have been "homeless" since 1984. According to the National Statistics Institute (INE), Venezuela has a housing deficit of 1.8 million homes, and 60 percent of existing homes require major reconstruction. The BRV has fallen far short of the 120,000 new homes it announced in 2004 it would build by the end of 2005, constructing only 41,500 homes. According to Chavez, the Ministry of Housing plans to oversee the construction of 80,000 homes in 2006.

¶8. (SBU/NF) According to Alvaro Sucre, president of Venezuela's Construction Chamber, low-income home construction proposals from the private sector have been ignored in favor of (more costly) Chinese or Iranian proposals. He believes that Chavez is simply not interested in working with the private sector, and though Sucre has presented proposals (including one for repair of the Caracas-La Guaira bridge) directly to the President, he has never received a reply. The construction sector is concerned with the recent expropriation wave and the possible enactment of price controls on real estate, which would be very detrimental to their sector (see Para 8). However, they still expect to see a 25 percent growth in construction in 2006 if overall GDP growth reaches 6 percent as estimated (Note: Construction GDP fell by 25 percent from 2001-2005. End Note).

¶9. (SBU) Mayor Barreto's answer to the housing crisis is to enact real estate price ceilings, though he has not yet taken this step. His proposal is to fix prices per square meter of property (regardless of quality) to check the growing price of urban real estate. In the last nine months of 2005, property prices rose an average of 35 percent due to high demand. Rent ceilings have been in place since May 2003 (fixed at Nov 2002 prices) and over the last three years, sales as a percentage of real estate transactions have gone from 63 to 90 percent. (Note: this may have been due to low profit margins for landlords after rent controls. End Note).

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Real estate price fixing was attempted under the administration of Carlos Andres Perez, yielding disastrous price distortions and a sharp decline in sales.

COMMENT

¶10. (SBU) The recent wave of urban expropriations has not translated into a strong trend in urban Caracas. The lack of a unified message on the part of the BRV lends credence to the belief that it might have been a distraction tactic rather than an overt policy move, as the government stood to lose much more on the bridge issue than on the more diffuse housing issue. The housing deficit continues to be a very real problem for the BRV, and as the homeless population grows due to the collapse of shoddily-built hillside homes, the government is feeling mounting pressure to find solutions. Unfortunately, neither infrastructure nor housing have been the BRV's strong suit, and the government has done little more than announce more funds for these sectors for the coming year.

BROWNFIELD